



FNB Residential Property Report December 2018

Highlights

- HPI Index retreats - prints -2.7% at the end of December 2018
- Volume index accelerates to 40.4% y/y
- National Average house price comes in at N\$N1.1mn

Regional Snapshots – Annual average 2018**

South:	N\$830,750	(+14.0%)
North:	N\$862,750	(+6.1%)
Coast:	N\$1,051,333	(-13.9%)
Central:	N\$1,450,833	(-2.3%)

Key to FNB's Housing Segments

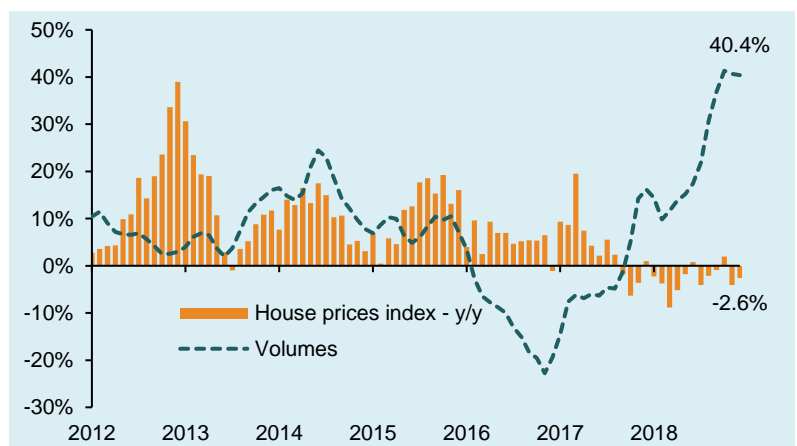
Small:	N\$0.5mn to N\$1.5mn
Medium:	N\$1.5mn to N\$3.4mn
Large:	N\$3.4mn to N\$6.5mn
Luxury:	N\$6.5mn and higher

Annual house prices contract for the first time since 1996

Property prices continued contracting aggressively across the country towards the end of 2018. Previously, since the late nineties, property prices had grown by an average of 11.0% annually as the economy evolved, businesses flourished and disposable income increased. The steady GDP annual growth rate of about 4.0% over that period, created ample demand that buoyed residential property prices. However, the deep recession experienced over the past 2 years, has put severe strain on the sector. Central property prices contracted by 2.3%/y/y (year on year) while coastal prices edged even lower to -13.9%/y/y over the past year. The movements in the market have meant that our weighted *Housing Index* posted returns of -2.7% at the end of December, compared to 4.0% at the end of 2017.

A closer look at the various numbers shows that activity has been centralized in the “small” segment, where volumes have picked up by a massive 52.0% y/y at the end of the year. At this stage, it remains unclear whether prices have fully bottomed out. Current trends indicate that price pressures still exist in the high-medium to luxury segment which will undoubtedly lead to lower national average prices over the course of this year. Nationwide, a single property stays in the market for four months, with most sellers forced to drop their selling price by 12.0% y/y before securing a sale - further signs that the sector remains suppressed.

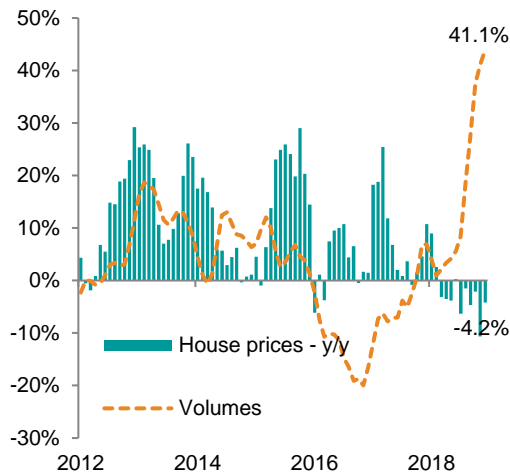
Figure 1: FNB Housing Index (Price and Volume Index)



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**The annual average figures are calculated by taking the average of the monthly prices as is reported in our monthly reports. The growth rate however is obtained from the average move in the regional indices over the past year

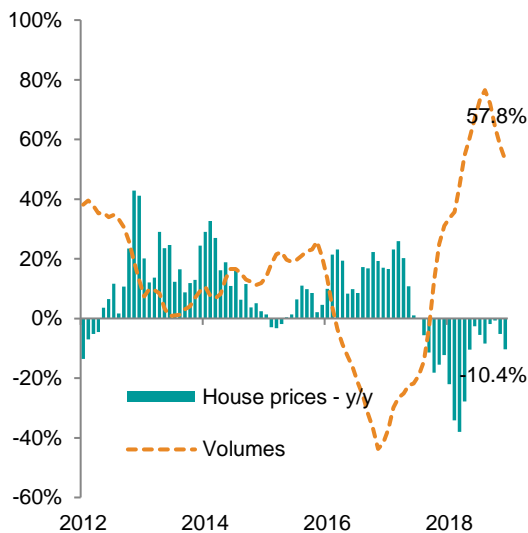
Figure 2: Central volumes robust



Central Property Index contracted by 4.2% y/y, as increased volumes pushed market prices lower. The Central Volume Index seems to have peaked at 41.1%y/y, supported by increased appetite for property in the small segment across all the towns. These increases were mainly in Windhoek and Okahandja where activity picked up by 31.3% y/y and 41.6%y/y respectively.

Despite this, it is not anticipated that volumes will remain as high during the first quarter of 2019. The shifted focus to small segment will be the core theme for the year with this segment growing by 69.3%y/y over the past year whilst accounting for 63.0% y/y of the sales. Naturally, the higher volumes kept average prices at bay with Okahandja property prices ending the year at N\$1.2m, whilst Windhoek recorded N\$1.5mn

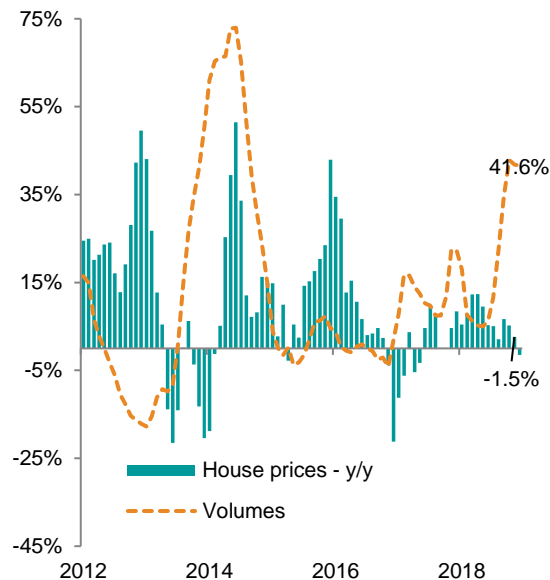
Figure 3: Weak prices across the coast



Coastal property prices contracted by 10.4%, to bring the average house price to N\$970k. As the latent impact of new property influences the market, price pressures are expected to continue across coastal towns. In Swakopmund, prices contracted by 24.1%y/y while in Walvis Bay the prices contracted by 19.1%.

Volume growth has been strong, particularly Walvis Bay, where growth in new additional properties doubled as compared to the end of 2017. In Swakopmund, volumes increased by 61.0% y/y, a consistent growth that started in November 2017. Similarly, to the central region, the main segment from which growth emanates is the small segment. The large segment recorded some activity with sales increasing by 28.5% at the end of 2018 - likely a result of growth from a low base (Notably, prices in large segment are still compressed with growth at a mere 1.5% y/y).

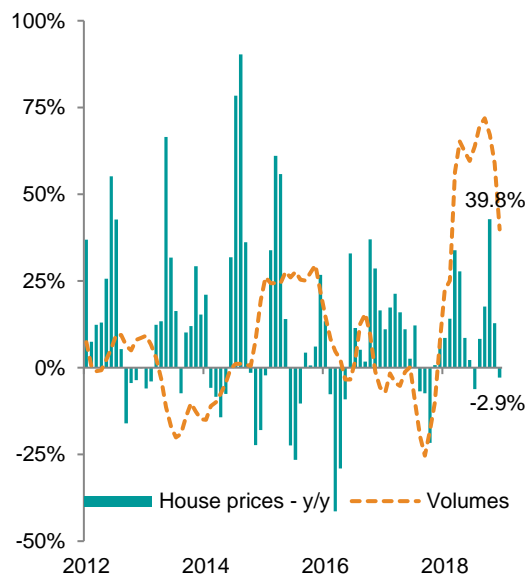
Figure 4: Northern prices – still ripe



Northern property prices start to feel the pressure as prices slip to -1.5% y/y at the end of December. Opportunities to invest in the market however, remains ripe given that average sqm size of plots remains significantly larger than in central or coastal towns, plus, it comes at a discount. Volume growth was particularly bountiful at 41.6%y/y as the small and medium segment both grew aggressively by 36.2% and 23.2% over the past year. An average property is currently in the market for N\$712K.

We believe that concerted efforts by government to boost housing will greatly benefit property development in this region where the bulk of the population currently lives.

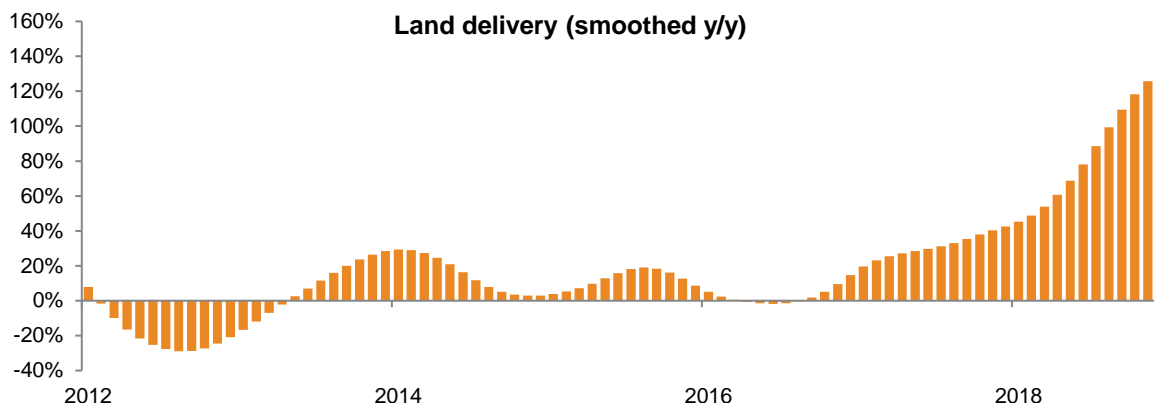
Figure 5: Southern towns - slow but steady



Southern property prices contract but by a lower margin. At -2.9% y/y growth, southern price growth will likely remain volatile over the following year as regional developments plans would spearhead any development. These areas will greatly benefit from low-cost housing as indicated with demand which is 100% currently in the small segment. House prices rallied in the year because of a few expensive houses that entered the market but we believe that it was short lived. We see prices in this region dropping from the current N\$807K to N\$600k over the next year. This will be supported by demand in the low end of the market and likely as increase in low cost housing which we believe is crucial for the area.

As consistently stated, volumes in this region are very low hence results from analysis in this segment must be viewed in lieu of this context.

Land delivery to continue its ascent



The past year showed sizeable increases in land delivery. Land delivery increased by 136.2%, stemming from a boost in sales from Northern region and Coastal region. The latest national building plans approved data corroborates this movement after towns such as Ongwediva and Swakopmund had substantive annual increases in plans approved during the first and second quarter of last year. Central region has had a surge in approved building plans but mainly in “additions and renovations” as opposed to new build. We believe this trend will invariably continue as people opt to build versus buying property in the market. The bonded average price per square metre of land still seems to have accelerated during the second half of the year, likely as demand picked up across most towns. We believe that there will be increased supply of land over the next few years which will likely contain prices as the process of land reform unfolds and as government increases pressure on municipalities to supply affordable housing to the general populous.

Conclusion

Overall, 2019 should prove to be a tough year for pricing in the property market. New developments in the low-cost market will likely take centre stage dragging average house prices down. Advancements in technology will mean that the supply of alternative building methods will likely also reverberate across the country given the need that exists for basic shelter. Furthermore, with price pressures continuing due higher unemployment and a weaker disposable income outlook, we believe that property prices will continue decelerating during this year and will likely only normalize in 2020. An interesting phenomenon, as earlier indicated, is the increase in land delivery. We believe most households will move towards building versus buying new property as the cost of inputs remains subdued. This should bode favourably to contractors in that space. The market is still tilted towards buyers and those with strong balance sheets or sufficient cashflow will likely benefit in acquiring property at low prices.

APPENDIX: YEARLY AVERAGE HOUSE PRICES

Town	2014	2015	2016	2017	2018	YTD %Δ	3Yr %Δ	5Yr %Δ
Arandis	494 000	456 000	532 000	640 000	664 223	3.8%	45.7%	122.1%
Eenhana	553 000	700 000	798 000	770 000	884 080	14.8%	26.3%	66.2%
Gobabis	839 000	889 000	1 119 000	908 000	1 041 947	14.8%	17.2%	49.1%
Grootfontein	647 000	736 000	645 000	812 000	679 531	-16.3%	-7.7%	21.6%
Helao Nafidi	909 000	1 002 000	425 000	607 000	607 000	0.0%	-39.4%	5.6%
Henties Bay	929 000	1 115 000	1 103 000	1 190 000	1 242 714	4.4%	11.5%	46.0%
Katima Mulilo	737 000	791 000	893 000	673 000	1 076 965	60.0%	36.2%	81.0%
Keetmanshoop	610 000	863 000	632 000	686 000	819 361	19.4%	-5.1%	62.6%
Luderitz	509 000	584 000	829 000	811 000	711 800	-12.2%	21.9%	35.1%
Mariental	685 000	736 000	913 000	1 336 000	1 041 857	-22.0%	41.6%	101.1%
Okahandja	820 000	922 000	856 000	937 000	976 097	4.2%	5.9%	56.4%
Okahao	492 000	491 000	611 000	568 000	739 952	30.3%	50.7%	58.8%
Omaruru	954 000	767 000	1 092 000	1 111 000	737 470	-33.6%	-3.9%	31.2%
Omuthiya	540 000	612 000	640 000	750 000	1 138 340	51.8%	86.0%	136.2%
Ondangwa	683 000	720 000	836 000	910 000	894 783	-1.7%	24.3%	62.4%
Ongwediva	755 000	1 009 000	944 000	951 000	1 033 958	8.7%	2.5%	76.7%
Oshakati	1 163 000	974 000	679 000	785 000	791 197	0.8%	-18.8%	38.3%
Oshikuku	569 000	580 000	634 000	635 000	750 415	18.2%	29.4%	40.8%
Otavi	611 000	531 000	560 000	647 000	701 872	8.5%	32.2%	31.7%
Otjiwarongo	825 000	967 000	1 021 000	1 069 000	936 829	-12.4%	-3.1%	16.7%
Outapi	553 000	579 000	785 000	738 000	983 147	33.2%	69.8%	115.6%
Outjo	739 000	925 000	928 000	809 000	918 706	13.6%	-0.7%	21.7%
Ruacana	855 000	898 000	968 000	875 000	788 945	-9.8%	-12.1%	11.6%
Rundu	630 000	684 000	780 000	727 000	905 202	24.5%	32.3%	93.4%
Swakopmund	993 000	1 096 000	1 334 000	1 348 000	1 224 611	-9.2%	11.7%	20.2%
Tsumeb	750 000	966 000	1 162 000	1 222 000	957 641	-21.6%	-0.9%	29.2%
Usakos	427 000	657 000	445 000	617 000	660 000	7.0%	0.5%	-7.7%
Walvis Bay	1 042 000	992 000	1 156 000	1 079 000	954 716	-11.5%	-3.8%	11.8%
Windhoek	1 209 000	1 440 000	1 514 000	1 614 000	1 542 364	-4.4%	7.1%	33.9%
Namibia**	972 000	1 110 000	1 151 000	1 187 000	1 199 179	1.0%	8.0%	34.0%

****Namibia number in above table does not indicate the whole country but rather the average prices across the towns indicated within the table.**

Methodology

This report is based on bonds registered in the names of natural persons at the Deeds Office and as such excludes all bonds registered in the names of juristic persons such as Close Corporations, Private Companies and Trusts. Rehoboth properties (Rehoboth has its own Deeds Office), farms, properties over 100,000m² and properties in industrial areas, are excluded, as these may not always be residential properties. Outliers below N\$100,000 (2007 prices adjusted annually) are also excluded, along with further bonds (second, third, fourth, etc. bonds over the same properties). Exclusions were rigorously tested using existing data, to filter out as much noise as possible. Cash transactions are too, excluded due to a lack of data. Sectional bonds have been excluded into the housing index.

Bond values are used as a proxy for house prices, since there are no consistent records for house prices in Namibia and therefore prices shown should only be used as a general guide to property values. These values are aggregated by way of the mean value as the central measure of tendency to resist the fluctuation between different prices. Average house prices are smoothed using a twelve-month moving average, with the national value computed as a weighted average of regional prices. Whilst the information provided has been obtained from a credible source, the values quoted are indicative, and past performance should not be taken as a guarantee of future performance.

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